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Annual Meeting:

The next annual meeting of the stockholders will be held in Rochester, New York, on Friday, April 10, 1970. On or about March 20, 1970, stockholders will receive a notice of the meeting, proxy statement, and proxy ballot.

Transfer Agent:

Bankers Trust Company

Registrar:

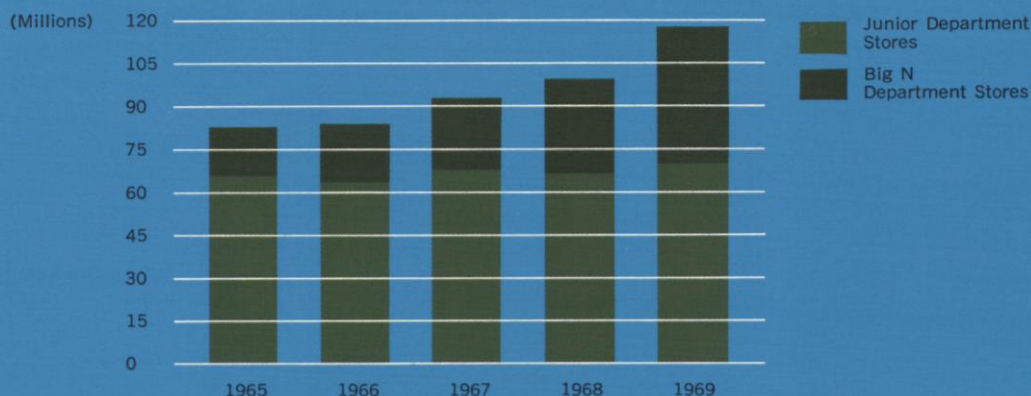
Morgan Guaranty Trust Company
of New York



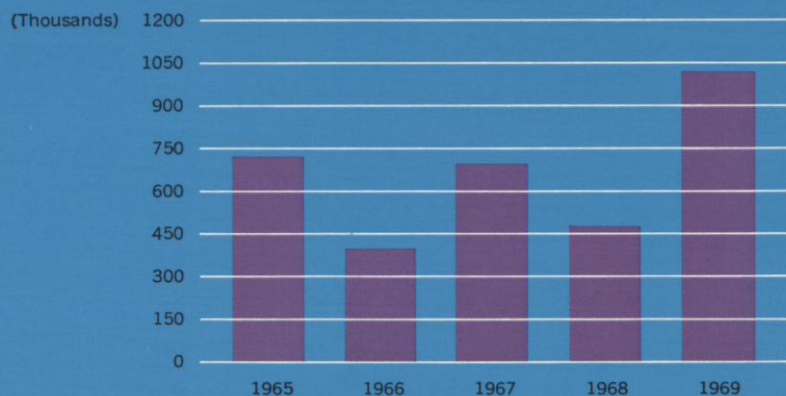
FINANCIAL HIGHLIGHTS

	1969	1968
Net Sales	\$119,644,384	\$101,734,019
Net Earnings	1,023,495	492,086
Net Earnings Per Share	1.53	.75
Dividend Per Share	.05	—
Depreciation and Amortization of Leasehold Improvements	1,179,271	1,190,895
Working Capital	15,369,875	13,428,790
Total Assets	40,686,547	35,234,436
Long Term Debt Outstanding	6,000,000	4,400,000
Stockholders' Equity	\$ 21,139,629	\$20,103,431
Stores in Operation	176	187

Net Sales



Net Earnings



10-YEAR SUMMARY

	Net Sales	Net Earnings	Earnings Per Share on Common Stock*	Dividends Per Share Paid on Common Stock	Amount Reinvested in Business	Stores in Operation at Year End
1960	\$73,491,509	\$115,463	0.18	0.75	\$355,739†	170
1961	76,288,863	278,565	0.44	0.40	25,225	173
1962	76,882,512	184,073†	0.29†	0.35	407,220†	182
1963	75,250,239	100,154	0.15	0.05	68,055	181
1964	81,005,823	328,341	0.51	0.00	328,341	180
1965	84,751,164	700,790	1.08	0.00	700,790	185
1966	85,983,168	443,604	0.68	0.00	443,604	191
1967	94,216,962	676,791	1.03	0.00	676,791	192
1968	101,734,019	492,086	0.75	0.00	492,086	187
1969	\$119,644,384	\$1,023,495	1.53	0.05	\$990,445	176

†Red figure

*Based on average shares and equivalents outstanding during each year



To Our Stockholders:

The year 1969 was a significant one in the progress of Neisner Brothers, Inc. and we are pleased to report the following results:

Sales

Net sales reached a record \$119,644,384, an increase of 17.6 percent over 1968 sales of \$101,734,019. Total sales, including leased departments and concessions were a record \$132,491,771, an increase of 15.1 percent over 1968 total sales of \$115,149,788. Annual sales volume of the average store reached \$680,000, up from \$545,000 in 1968.

Net Earnings

Net earnings rose to \$1,023,495 compared with \$492,086 in 1968, an increase of 108 percent and the highest since 1955. Net earnings per share rose to \$1.53 in 1969 compared to \$.75 in 1968. Earnings before taxes were \$1,968,495 compared to \$737,086 in 1968.

Dividends

The Board of Directors at its meeting on October 21, 1969, declared a five cents per share cash dividend, the first the Company has paid since 1963. Although optimistic about the future, we refrain from making any predictions concerning the amount and frequency of future dividend actions. The Board will continue to consider dividends depending upon earnings and cash requirements necessary for expansion.

Financial Comments

Working capital was \$15,369,875 at year end, up \$1,941,085 over last year. Merchandise inventories amounted to \$22,530,222, up \$3,771,959 over last year.

The increase in inventories resulted from improved Company sales and inventory for new and enlarged stores.

Capital expenditures during 1969 for property, plant, and equipment amounted to \$2,032,759 compared with \$1,599,981 for 1968. Depreciation and amortization totaled \$1,179,271, compared to \$1,190,895 in 1968.

On November 1, 1969, the Company borrowed \$2 million from the John Hancock Mutual Life Insurance Company under an \$8 million long-term agreement made the prior year. Four million was received in 1968 and the remaining \$2 million will be received November 1, 1970. Our total line of credit under our Revolving Bank Credit Agreement with eight banks remained at \$9 million.

Directors Allen W. Mathis, Jr., President of The Presidents Association, Inc., American Management Association (New York City) and J. Wallace Ely, President of Security Trust Company (Rochester) chat before a recent Board meeting.





Credit sales totaled \$7,566,515, an increase of 33.6 percent over 1968 and accounted for 6.3 percent of total sales. Besides our own credit plan, a service of mutual benefit to both customers and the Company is the operation of bank-administered credit plans including Master Charge, Unicard and Bank Americard.

At the Annual Shareholders Meeting on April 10, 1969, the shareholders approved a proposal to amend the Restated Certificate of Incorporation by changing the authorized capital of the Company. The number of shares of authorized common stock, par value \$1.00 per share, was increased from 2,000,000 shares to 5,000,000 shares and 500,000 shares of a new preferred stock, par value \$20.00 per share, were authorized. It is contemplated to have these additional shares in readiness for any future acquisitions the Company might make.

Executive Changes

Because of Neisner's growth and accelerated expansion program and due to retirements, upper and middle echelons were enlarged substantially during 1969. These moves resulted in other changes at all levels and a general strengthening of executive responsibilities in all departments.

In December, Mr. Robert C. Green, Jr. was appointed to the new position of Financial Vice President.

Mr. Richard C. Harris was elected Assistant Treasurer. He has served as Insurance and Taxes Manager since 1965.

Mr. B. Joseph Abraham became Assistant Merchandise Manager for all wearing apparel lines in our New York

Buying Office. He had formerly been the men's and boy's wear buyer.

Mr. Abraham H. Milstein retired from the Board of Directors. He joined Neisner's in 1917, had served as a Director since 1943, and had retired as an officer in 1962.

Mr. Samuel Davidson retired as Distribution Manager after 40 years service.

Mr. Phillip Freeman retired as Assistant Controller after 38 years service.

Expansion Program

Nineteen sixty-nine witnessed the most ambitious expansion program in our Company's history. Six new Big N Department Stores were opened during the year: 62,000 square foot stores in Geneva, Potsdam, Brockport and Olean, New York; Galion, Ohio; and a 70,000 square foot store in the Buffalo, New York suburb of Cheektowaga. This latter unit was an acquisition of an existing store which we converted to a Big N. This brought the total number of Big N's in operation at the end of the year to 24. During 1970, we plan to open seven more Big N's in Bowling Green, Tiffin, Mt. Vernon and Greenville, Ohio; and Arcade, Greece and Webster, New York. The latter two locations are in the Greater Rochester area, the first of six stores planned there by 1972. In 1968, Big N sales represented 35 percent of net Company sales. This figure increased to 42 percent in 1969 and is expected to be at least 50 percent in 1970.

There were no new Junior Department Stores opened in 1969. However, six existing ones were remodeled and enlarged with very rewarding results.



Store Closing Program

The year 1969 also saw the largest store closing program in our Company's history. Seventeen Junior Department Stores were closed, compared to 12 in 1968. These were all small volume, unprofitable stores, chiefly in older downtown locations. Because of heavy closing costs, this accelerated store closing program did not add to the Company's improved profit picture in 1969, but is expected to add considerably in future years when their savings are fully realized. We expect to close between six and ten stores in each of the next several years. In connection with this program, we have also been able to reduce the number of District Offices from seven to five, a move expected to result in closer supervision and merchandise control.

Restaurant Operations

During 1969, restaurant sales totaled \$7,520,229 or 6.3 percent of total sales. This compared with \$7,164,917 or 7.0 percent in 1968. Over 100 stores have at least one kind of food service and some of the larger ones have as many as four. All Big N's have at least an 80-seat restaurant and many have an extensive take-out food operation as well. Considerable attention is being given to the exterior and interior design of our Big N restaurants which today handle much larger crowds than in the past. We find many families who shop also stay to eat.

Personnel

Sustained growth of our expanding chain depends on people. Therefore every effort was made during 1969 to strengthen our recruitment, training and retraining of personnel throughout all levels of our organization. Numerous training seminars were held for store managers and store management trainees throughout the year, both at the District level and at our Main Office. These proved to be very rewarding and beneficial to those attending and will become more important in the future as we open up more and larger stores. At the end of the year, we had 186 men in our Management Training Program. We increased our recruitment efforts, both at the high school and college level, and upgraded our training program to assure the Company of having in the future a group of men and women capable of filling the ranks of store management.

Over 20 of our executive employees attended American Management Association and other organizations' seminars and meetings in order to further their own training and handle the increasing demands and challenges of executive responsibility throughout the Company.

Merchandising and Sales

It is our goal in the Merchandise Department to have the right merchandise available at the right time and at the right place. This involves the study of fashion, styling and economic trends. We are continually evaluating and changing our merchandise selections and store layouts in an effort to make shopping easier and more appealing. Store fixtures are continually modernized to present the merchandise in attractive surroundings.

The Company's own Lewis Brand items continued to grow in 1969, accounting for 6.9 percent of total sales, an increase of 28.8 percent over 1968. During the year sewing notions and picture and photo frames were added with very good acceptance from our customers.

In 1969, our 400,000 square foot Distribution Center in Rochester shipped over \$68 million or 56.8 percent of our stores merchandise requirements. Included in this figure was over \$19,750,000 of unit control apparel. All of this merchandise was bought by our seven men's, women's and children's wear buyers located at our 30,000 square foot Buying Office and Distribution Center in New York City. All of our fashion merchandise is checked for quality and ticketed before it reaches our stores, thus assuring our customers of having the latest styles and complete selections from which to choose.

Our fleet of 80 trucks delivers merchandise to our stores, Junior Department Stores receiving a minimum of one shipment a week and Department Stores at least two shipments weekly.

During 1969, our advertising and sales promotion expenditures amounted to \$2,840,000, an increase of 16.4 percent over 1968. A combination of newspaper advertising and periodic tabloids offered our customers a continuous selection of the newest in fashions and merchandise.

Of growing importance to modern merchandising are automated and computerized procedures. In this regard, the Company received in 1969 a new third generation Honeywell 1250 computer. It replaced an older unit that had been in operation since 1961. Besides general accounting functions, the new computer will enable the Company to use new merchandising and inventory control reporting that will result in more efficient operations.

Looking Ahead

As we enter the 1970's we look forward to continued growth, both from internal expansion and possible acquisitions. Acquisitions will be confined solely to the retail industry and could include either single stores or small chains in the Junior Department Store, Department Store and Drug Store fields.

We want to express our appreciation to our more than 6500 employees and a growing number of suppliers whose efforts continue to be recognized and appreciated as essential ingredients to the Company's future success.



Chairman of the Board



President



NASA PHOTO

Charles Cramer, 26, entered our executive training program just nine years ago and today manages our Olean unit.



James Bump, 24, appliance manager (second from left) reviews departmental procedures with trainees (L to R) Tom Herzog, 24, Alan Belscher, 22, and Wayne Miller, 20.



MOON AGE MERCHANDISING Big N Style

Enter Big N Land . . . an exciting world awaits! Beautiful, bold and busy. As "now" as the Space Age itself. For Neisner's, Big N's have meant big business. Big stores, sales and profits. Unprecedented growth. One of our most recent to open was this 62,000 square footer in Olean, New York. Like all our stores, its success depends on people—young, alert and hard-driving. Here are just some who typify Neisner employees everywhere:

big **N**



John Survil, 24, (standing) heads men's, boys' and children's wear. Here he meets with Mrs. Mary Scrocco (domestics), Mrs. Helen Kenyon (ladies' wear) and James Bump.



Ron Kelly, 30, is merchandise manager and number two man at Olean. He is shown inspecting ladies fashion wear.



CONSOLIDATED BALANCE SHEET

January 3, 1970, with comparative figures as of December 28, 1968

Assets	Jan. 3, 1970	Dec. 28, 1968
Current Assets:		
Cash in banks and on hand	\$ 4,642,972	\$ 4,269,943
Accounts and notes receivable:		
Trade, less allowance for doubtful accounts, \$4,000 in 1969; \$40,000 in 1968	430,232	126,197
Sundry, less allowance for doubtful accounts, \$11,000 in 1969; \$7,500 in 1968	288,818	336,703
Net accounts receivable	719,050	462,900
Merchandise inventories (note 1)	22,530,222	18,758,263
Prepaid insurance and other expenses	894,549	643,689
Total current assets	28,786,793	24,134,795
 Property, Plant and Equipment:		
At cost less accumulated depreciation and amortization (note 2)	10,696,239	9,965,309
 Other Assets:		
Cash surrender value of life insurance	795,000	748,500
Advances to landlords and agents	162,650	145,341
Sundry (note 3)	245,865	240,491
Total other assets	1,203,515	1,134,332
	 \$40,686,547	 \$35,234,436

See accompanying notes to Consolidated Financial Statements.

Liabilities and Stockholders' Equity	Jan. 3, 1970	Dec. 28, 1968
Current Liabilities:		
Notes payable—banks (note 3)	\$ —	\$ —
Current installments of long-term debt (note 3)	400,000	350,000
Accounts payable—trade	9,016,749	7,602,116
Accounts payable—other	311,403	208,785
Accrued expenses	2,865,510	2,315,742
Accrued federal and state taxes (note 4)	823,256	229,362
Total current liabilities	13,416,918	10,706,005
Long-Term Debt (note 3)	6,000,000	4,400,000
Deferred Taxes on Income (note 4)	130,000	25,000
Stockholders' Equity:		
Preferred stock, par value \$20 per share:		
Authorized 500,000 shares in 1969, none in 1968; issued and outstanding—none	—	—
Common stock, par value \$1 per share:		
Authorized 5,000,000 shares in 1969, 2,000,000 shares in 1968; issued and outstanding 663,160 shares in 1969, 658,977 shares in 1968 (note 5)	663,160	658,977
Additional paid-in capital	1,052,706	1,011,136
Retained earnings (note 3)	19,423,763	18,433,318
Total stockholders' equity	21,139,629	20,103,431
Commitments and Contingent Liability (notes 7 and 9)		
	\$40,686,547	\$35,234,436

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

53 weeks ended January 3, 1970 and the 52 weeks ended December 28, 1968

Revenues:	1969	1968
Net sales	\$119,644,384	\$101,734,019
Income from leased departments	1,192,107	1,192,714
Other income	11,956	14,760
	120,848,447	102,941,493
Costs and Operating Expenses:		
Cost of merchandise sold, buying and occupancy costs, exclusive of depreciation and amortization	86,446,444	73,472,224
Selling, general and administrative expenses	30,200,744	26,755,258
Depreciation and amortization	1,179,271	1,190,895
Interest expense	1,053,493	786,030
Miscellaneous state taxes	112,000	52,000
Federal income taxes (note 4)	833,000	193,000
	119,824,952	102,449,407
Net Earnings	1,023,495	492,086
Retained Earnings:		
Balance at Beginning of Period	18,433,318	17,941,232
Less dividend paid, \$.05 per share of common stock in 1969 ..	33,050	—
Balance at End of Period	\$ 19,423,763	\$ 18,433,318
Net earnings per common share and common share equivalent (note 8)	\$1.53	\$.75

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT of Additional Paid-in Capital

Balance at Beginning of Period	\$1,011,136	\$782,349
Add proceeds in excess of par value received on issuance of 4,183 shares of common stock to employees under Em- ployees' Restricted Stock Purchase Plan (2,645 shares in 1968)	41,570	33,787
Add value of warrants issued in connection with the 7½% Series A notes (note 3)	—	195,000
Balance at End of Period	\$1,052,706	\$1,011,136

See accompanying notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—

JANUARY 3, 1970

1. Inventories: The merchandise inventories at stores as of January 3, 1970, are stated at the lower of cost (as calculated by the retail inventory method) or market. Inventories at the Distribution Center are stated at current replacement cost, and food product inventories are stated at cost.

2. Property, Plant and Equipment: The Company uses the straight line method of computing depreciation and amortization of leasehold improvements over the estimated useful lives of the assets or leases. A summary of property, plant and equipment and related accumulated depreciation and amortization follows:

	Useful life	1969	1968
Land		\$ 835,931	\$ 835,931
Buildings	33-50 years	858,176	858,176
Furniture, fixtures and equipment	7-14 years	19,009,464	17,966,943
Leasehold improvements	Life of lease	7,072,507	7,438,747
		<u>27,776,078</u>	<u>27,099,797</u>
Accumulated depreciation and amortization		17,079,839	17,134,488
Net property, plant and equipment		<u>\$10,696,239</u>	<u>\$ 9,965,309</u>

3. Notes Payable and Long-Term Debt: As of May 1, 1969, the Company extended its Revolving Bank Credit Agreement with a group of banks which permits maximum borrowing of \$9,000,000. The agreement expires April 30, 1971, and monies borrowed bear interest at one percent in excess of the prime rate.

The long-term debt is summarized as follows:

	Long-term portion	Current portion	Total
7½% due August 1, 1970	\$ —	\$400,000	\$ 400,000
7½% Series A notes; \$250,000 due annually on November 1, 1971 thru 1982, \$1,000,000 due November 1, 1983	4,000,000	—	4,000,000
7½% Series B notes; \$115,500 due annually on November 1, 1971 thru 1983, \$498,500 due November 1, 1984	2,000,000	—	2,000,000
	<u>\$6,000,000</u>	<u>\$400,000</u>	<u>\$6,400,000</u>

Additional borrowings under the 7½% loan agreement will result in the Company receiving \$2,000,000 on November 1, 1970, by the issuance of 7½% Series C notes. In addition to the stated interest rate of 7½%, the Series B and Series C notes provide for additional contingent interest. Such contingent interest commences with the year ending January 2, 1971, and is based on consolidated net income before taxes.

In connection with the 7½% Series A notes, the Company issued to the lender warrants to purchase 53,333 shares of common stock at \$12 per share, exercisable until November 1, 1983. The value of these warrants at the date of issue was determined to be \$195,000 and was reflected on the balance sheet as Other Assets-Sundry (being written off over the life of the loan) and as a credit to additional paid-in capital. The unamortized balance at the end of 1969 and 1968 was \$180,000 and \$193,333, respectively.

The loan agreements contain various restrictions. Among other things the Company must maintain a minimum working capital of \$10,000,000, may not lease real or personal property in excess of a stipulated amount, and may not pay dividends in excess of 15% of the previous year's consolidated net income.

4. Income Tax: The Company has followed the practice of reducing current income tax expense by investment tax credit allowable within the year. Such investment tax credit amounted to \$149,000 in 1969 and \$133,000 in 1968 and will no longer be allowed under the Tax Reform Act of 1969.

Deferred income taxes result from using the double declining balance method of depreciation for tax purposes on 1968 and 1969 fixed asset additions, rather than the straight line method used on the books. Deferred income tax expense of \$25,000 and \$105,000 has been provided in 1968 and 1969, respectively.

5. Qualified Stock Option Plan: During the year the Company adopted a qualified stock option plan for officers and key employees and reserved 32,949 shares of common stock for that purpose. Options are granted at not less than 100% of the fair market value of the common stock at the date of grant and are exercisable at any time after the first anniversary of the granting with respect to not more than ⅓ of the shares granted, at any time after the second anniversary with respect to not more than an additional ⅓, and at any time after the third anniversary (but before the 5 year termination of the grant) with respect to the balance of the shares.

Options to purchase 21,000 shares of common stock were granted under the plan on July 29, 1969, at an option price of \$12.125 per share.

6. Pension Plan: The Company has a contributory pension plan covering all regularly employed persons. Employees are eligible for participation in the plan upon reaching the age of 30 and upon completing five years' service with the Company. The total pension expense for the year was \$95,000. It is the policy of the Company to fund pension cost accrued. There was no unfunded amount of vested benefits and no unfunded past service cost.

7. Leases: The Company conducts the major part of its operations from premises leased under noncancelable leases. Substantially all of these leases will be renewed or replaced by leases on other properties. Minimum annual rentals relating to such property under lease at January 3, 1970, amounted to \$7,734,064 plus, for certain leases, real estate taxes, insurance, repairs, parking lot maintenance, etc.

Scheduled minimum rentals and lease expirations of leases in force at January 3, 1970, are as follows:

Year of expiration	Expiration of minimum rentals
1970-1974	\$1,042,245
1975-1979	1,930,742
1980-1984	2,396,296
1985-1989	1,087,803
Thereafter	1,276,978
	<u>\$7,734,064</u>

8. Earnings Per Share: Earnings per common share and common equivalent share were computed by dividing net income by the weighted average number of shares of common stock and common stock equivalents outstanding during the year (669,420 shares in 1969 and 660,320 in 1968).

9. Contingent Liability: In October 1968, the Company sold the majority of its trade accounts receivables. The terms of the agreement stipulate that after the first three years, the agreement must be renewed on an annual basis. If the agreement is not renewed, the Company is required to repurchase the then outstanding current accounts.

Executive and Buying Offices:

49 East Avenue • Rochester, N. Y. 14604

New York Buying Office:

309 W. 37th Street, New York, New York 10018

District Offices:

1723 W. Howard Street, Evanston, Illinois 60202

3343 Harlem Road, Buffalo, New York 14225

17070 Collins Ave., N. Miami Beach, Florida 33160

Distribution Center:

3131 Winton Road South, Rochester, N. Y. 14623

**Neisner Store Locations
By State**

Connecticut (2)

District of Columbia (1)

Florida (48)

Illinois (16)

Iowa (3)

Massachusetts (3) (1)

Michigan (14)

Minnesota (1)

Missouri (1)

Nebraska (1)

New Jersey (3) (1)

New York (36) (15)

Ohio (10) (1)

Pennsylvania (4)

Texas (14)

Wisconsin (1)

Junior Department Stores—152

Big N Department Stores—24

176 Stores in 15 States and
the District of Columbia

In photo, left to right: (Top row) E. Rogers,
L. Neisner, C. Reed. (Center) R. Lowry, M. B. Neisner,
F. Neisner, P. Cooper. (Bottom) C. Goran, S. Stern,
L. Hendricks.

**Officers**

Fred Neisner, *Chairman of the Board*
Melvin B. Neisner, *President*
Philip Cooper, *Vice President*
R. C. Green, *Vice President (1970)*
Lee Hendricks, *Vice President*
Elmer G. Rogers, *Vice President*
Samuel S. Stern, *Vice President*
Robert B. Lowry, *Treasurer-Controller*
Lewis J. Neisner, *Secretary*
Richard C. Harris, *Ass't. Treasurer*

Directors

Fred Neisner*
Melvin B. Neisner*
Philip Cooper*
F. Gordon Duffy
J. Wallace Ely*
R. C. Green
Robert B. Lowry
Allen W. Mathis, Jr.
Abraham H. Milstein
David H. Morrison
*Executive Committee

Management Committee

Fred Neisner
Melvin B. Neisner
Philip Cooper
Charles Goran
R. C. Green
Lee Hendricks
Robert B. Lowry
Lewis J. Neisner
Carl W. Reed
Elmer G. Rogers
Samuel S. Stern

